

Schupp & Grochmal, LLC  
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Ladies and Gentlemen of the Program Review and Investigation Committee:

Imagine that you bought a \$1 million life insurance policy from one of our Connecticut insurance carriers to protect your young family. Then the unthinkable happened.....your young spouse died. Upon making a claim, the insurance company told you that they would not pay, that they had changed the rules after making a promise to you. So you and your young family lose the house and are turned out into the street.

That, ladies and gentlemen, is what Sec. 5 of HB 5347 is suggesting what we as a Fund Manager under Sec. 38a-88a, do to Connecticut companies that have been funded according to the promises of the Connecticut Legislature. If the promise of the legislature to these companies is broken, we face lost jobs and people on the streets. Companies may fail due to lack of our funding as promised to execute their business plans over periods of years. If our continued funding disappears, we all know that finding alternate funding in these times is next to impossible.

Sec. 38a-88a allows the investors in our funds to claim Connecticut Tax Credits providing that the insurance businesses we invest in locate in space that has gone unoccupied for at least twelve months and that they create enough new Connecticut jobs. Sec. 38a-88a was sunset in 2000, so no new funds may be formed and no additional investors may use the statute as of that date. Statute availability for use by grand-fathered funds expires on December 31, 2015.

Tax Credits are earned over a ten year period, none in the first three years, 10% in years 4,5,6 and 7 and 20% in years 8, 9 and 10. The program is back end loaded with a significant delay up front, as it should be. So let's be clear, if we were to make a new investment in 2010 and the company occupied dormant space and created jobs, credits would not be claimed until 2014, hopefully long after Connecticut's economic recovery.

Finally, over the past several years legislative discussion and DECD public negativity regarding Sec. 38a-88a has sullied the reputation of Connecticut. A Texas company declined interest in coming to Connecticut when they researched what was going on and New Hampshire told us they might copy Sec. 38a-88a with a sweetener. Our state leaders must end this pattern of public negativity about seed capital incentives for the insurance industry for the good of the great state of Connecticut. Thank you for your time.

David A. Schupp, Manager